

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
2000 Biennial Regulatory Review –)	
Comprehensive Review of the)	CC Docket No. 00-199
Accounting Requirements and)	DA 01-1403
ARMIS Reporting Requirements for)	
Incumbent Local Exchange Carriers:)	
Phase 2)	

**REPLY COMMENTS OF THE
OHIO CONSUMERS' COUNSEL**

I. Introduction

The Ohio Consumers' Counsel ("OCC") offers these reply comments in response to comments filed pursuant to the Public Notice ("Notice") for this docket published in the Federal Register on June 26, 2001.¹ The OCC is the statutory representative of Ohio customers of investor-owned utilities.² Comments were filed by the New York State Department of Public Service ("NYDPS"), Public Service Commission of Wisconsin ("WisPSC"), Sprint Corporation ("Sprint"), the United States Telecom Association ("USTA"), the "affiliated local telephone companies of Verizon" ("Verizon") and WorldCom.

The Notice requested supplemental comment to the October 18, 2000 Notice of Proposed Rulemaking ("NOPR"). The Notice requested comment on "additions, consolidations, or eliminations of accounts" in the proposed Uniform System of Accounts

¹ Federal Register, Vol. 6. No. 123, at 33938.

² See Ohio Rev. Code Chapter 4911.

(“USOA”) list of accounts attached to the Notice. In his initial comments, the OCC noted that “unfortunately, the Notice merely presents the list of accounts, without any indication of the basis for including any particular account in the attachment to the Notice (or for excluding other current USOA accounts, or other accounts proposed by the state commission staffs).” Sprint also identified this problem. Sprint at 4.

As before, it is important to note that the NOPR, and hence the Notice, were issued pursuant to the directive of 47 U.S.C. § 161, which requires the Commission biennially to review its regulations pertaining to telecommunications service to “determine whether any such regulation is no longer necessary in the public interest as the result of meaningful economic competition between providers of such service.” See Notice, ¶ 10. The representatives of the incumbent local exchange carriers (“ILECs”) have not provided any further detail to show the presence of ubiquitous meaningful economic competition. Ubiquity is required for a change to the universally-applied USOA; otherwise, a company-by-company (or market-by-market) relaxation or waiver of the USOA might be appropriate.³ Especially for residential consumers in particular competition is either nonexistent or, at best, minimal.

The OCC supports the comments of the WisPSC on the refinements or additions to the list of accounts proposed by state commission staffs. The additions proposed by the state commission staffs added important information about the operations of the carriers.

³ Clearly, all of the ILECs are still far more dominant in their local markets than AT&T was in the long distance market when the Commission found it to be “non-dominant.”

II. Changes to Part 32 Accounting Rules -- Chart of Accounts

A. *Retention of account detail*

The USTA had proposed that Class A accounts be eliminated for all carriers regardless of size, and that all carriers use the less-detailed Class B accounts. NOPR, ¶ 16. The USTA again reiterates that proposal, with no greater support. USTA at 1-2. Specifically, USTA complains that “no other telecommunications providers are required to keep Part 32 books of accounts....” *Id.* at 2.⁴ Notably, no other telecommunications providers have the still-dominant, in fact near-monopoly, market position of the ILECs. As 47 U.S.C. § 161 states, the Commission’s regulations can be relaxed when there is meaningful economic competition. That day has not yet come. The OCC again urges the Commission to reject the USTA position, as the list of accounts in the Notice appears to do.

The OCC and NASUCA noted the importance of the states’ ability to use this account information for comparative purposes in the development of rates for unbundled network elements (“UNEs”), as discussed in ¶ 19 of the Notice, and for universal service issues. See Sprint at 1, 2; WorldCom at 3-4. As the OCC and NASUCA indicated, whether states “could find or develop alternative sources of data for this purpose” (Notice, ¶ 19) is really the wrong question here. The correct question is, *why* should the states find or develop alternative sources of data for this purpose, when this longstanding, familiar source is available?⁵ The proposed list properly retains much of this detail.

⁴ USTA also complains about ILECs filing ARMIS reports. *Id.* This is outside the scope of the current Notice.

⁵ As indicated in the previous footnote, the OCC and NASUCA support the state staffs’ proposal to add additional technology-related detail to the current Class A accounts.

NYDPS provides detail on needed accounts that are deleted in the list of accounts attached to the Notice. NYDPS at 1-2. The OCC agrees that these accounts should be retained.

USTA (p. 2) proposes that uncollectibles not be recognized as a contra-revenue account, but instead as an operating expense as under GAAP. Uncollectibles are one of the items needed to calculate earnings and should continue to be recorded as they are today.

USTA (p. 3) suggests that three jurisdictional differences accounts be eliminated because they are not required under GAAP and are not used for federal ratemaking purposes. Jurisdictional differences are important for state ratemaking purposes and therefore these accounts should be retained.

WorldCom (at 3) notes that Attachment A consolidates the eight current local revenue accounts into one. The OCC agrees with WorldCom (*id.*) that if the local revenue accounts are to be consolidated, “three accounts -- one of basic local exchange revenue, one of local private line revenue, and one for other local exchange revenue...” should be the minimum level of collapsing of the local service revenue accounts.

B. Additional account detail is needed as proposed by the state staffs.

The OCC and NASUCA supported the state commission staffs’ proposals. In particular, the OCC and NASUCA submitted that the following additional subaccounts and new accounts are crucial for the post-Act environment:

- Technology (subaccounts for packet and asynchronous transfer mode [“ATM”] switches);

- Universal service (subaccounts for loops and subscriber line charges, new accounts for federal and state universal service support)⁶;
- Local competition (new accounts for reciprocal compensation, resale, wholesale and collocation revenues and expenses; subaccounts for wholesale customer operations expense); and
- Access charges (subaccounts for access revenues, switched and special access).

The OCC reiterates here its support for the full proposal of the state commission staffs, with an emphasis on the accounts pertinent to the four bullets above. See WisPSC at 3-4.⁷

USTA again argues that because this proceeding is based on 47 U.S.C. § 161, new accounts cannot be added to the list of accounts. USTA at 4, 7. See also Verizon at 1-3.

The statute requires the Commission to reduce regulation in the face of meaningful economic competition, which does not exist. Neither USTA nor Verizon provides any authority for the proposition that the Commission may not otherwise add accounts, particularly where there is no effective competition.

C. Unbundled network elements

Verizon (at 4) and USTA (at 7-9) may have a point about expenses associated with UNEs and resale. The expenses associated with UNEs and resale are sprinkled throughout many accounts, as are the costs of BLES and any other service.⁸ The revenues are much more important, and practical, to identify separately. It is important to know the

⁶ One example of the need for this detail is that, in Ohio, the LEC that is the recipient of the greatest amount of federal high cost universal service support (almost \$7 million) currently includes that amount in Account 5082 -- Switched access revenue. This account is allocated entirely to the interstate jurisdiction, despite the fact that the purpose of this support is to keep *local* rates low. This LEC's local rates are among the highest in the state.

⁷ The OCC also supports WisPSC's request (at 4) to include this additional detail in the Class B accounts. See Comments of the OCC and NASUCA (December 21, 2000) at 6-7.

⁸ Note that USTA's Attachment 3 includes only expense accounts.

sources of the companies' revenue. WorldCom emphasizes the importance of the revenue accounts. WorldCom at 2.⁹

D. Universal service issues

The OCC agrees with Sprint (at 4) that the proposed new USF accounts need further clarification. This is especially true for the revenue accounts. The State staffs recommended two separate USF accounts, one for federal support and one for state support. Either way, one account or two, the Commission should specify that these accounts are properly allocated to the intrastate jurisdiction.¹⁰ Only the USF amounts from the Schools and Libraries and Rural Healthcare programs that are attributable to support for inside wiring and interstate advanced services (such as Frame Relay, cited by USTA) should not be allocated to the intrastate jurisdiction.¹¹ The purpose of high cost fund support and low income support is to keep local rates reasonable, hence these amounts should be entirely intrastate.

The USTA (at 6) states that separating out USF payments and revenues will cause problems with classification of the revenue (i.e. state, interstate, non-regulated.) As noted, this is a "problem" only for the Schools and Libraries and Rural Health Care funds, where purchase of other than local service is possible.) This effort is clearly justified in order to ensure that the services that are supposed to be getting the support, in

⁹ Of course, the fact that costs related to UNEs may not be segregated into unique accounts in the USOA has no bearing on the fact that the specific costs of specific UNEs must be identified in establishing the rates for those UNEs, just as the specific costs of other ILEC services should be identified in establishing the rates for those services. (Resale prices, of course, are established by subtracting wholesale costs from the retail rate, making resale expenses even more difficult to identify.)

¹⁰ Obviously, intrastate USF must be allocated to the intrastate jurisdiction.

¹¹ The most recent reports from USAC -- for the 2nd Quarter of 2001 -- show that 40% of the total USF is attributable to the Schools and Libraries program. It is unclear how much of that 40% should be allocated to interstate or nonregulated operations.

fact, get the support. See 47 USC 254(e). Thus separate intrastate and interstate accounts, and separate sub-accounts for the various federal programs, would be the simplest way to alleviate USTA's problem.

More fundamentally, USTA (at 4-5) states that USF revenues and payments do not need to be separately identified because the payments carriers make and the support carriers receive are available from the Universal Service Administrative Company ("USAC"). It may be that this and other information in the USOA is available from other sources, but that misses the point. It is crucial to have the USF payments and revenue amounts presented in the context of and consistent with the rest of the financial information contained in the USOA.

III. Conclusion

In its earlier orders, the Commission has already substantially relaxed the reporting requirements applicable to all carriers. See NOPR, ¶¶ 10-11. The Telecommunications Act of 1996 keyed relaxation of regulation to the existence of "meaningful economic competition" between providers. 47 U.S.C. § 161. The OCC again submits that the level of competition in the United States today -- particularly for local exchange competition, and specifically for residential customers -- is still limited enough so as to increase, not decrease, the need for meaningful information on the near-monopoly operations of the incumbent local exchange companies. The OCC appreciates the changes that have been proposed to add detail to the list of accounts, but continues to support the inclusion of additional detail as set forth herein. This additional reporting is crucial for the transition to competition and a technologically-advanced network.

Respectfully submitted,

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